

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-03 INR-10 LAB-01

NSAE-00 RSC-01 SIL-01 DODE-00 PA-01 USIA-04 PRS-01

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 2291

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EO 11652: N/A

TAGS: ELAB, PINT, PE

SUBJ: MAJOR LABOR DISPUTES RESOLVED

REF: LIMA 8176

1. LABOR DISPUTE IN GOVERNMENT-OWNED CENTROMIN MINING COMPLEX WAS DECLARED SETTLED OCT 5 FOLLOWING LONG AND ACTIVE INVOLVEMENT BY GOP MINISTERS OF LABOR AND ENERGY AND MINES. FINAL SETTLEMENT IS COSTLY --670 MILLION SOLES (ABOUT \$15,500,000 U.S.) OF ABOUT 167 SOLES DAILY FOR MINER OF WHICH 50 SOLES IS DIRECT WAGE INCREASE.

2. FINAL SETTLEMENT WAS CONCLUDED AT A LEVEL CONSIDERABLY HIGHER THAN ORIGINALLY CONSIDERED ACCEPTABLE BY CENTROMIN. MINERS SUCCOMBED SOMEWHAT TO GOP PRESSURE AND MODERATED THEIR DEMANDS BUT INCREASE IS HEFTY NONETHELESS. THE GOP, WHICH CONSIDERED A MINERS' STRIKE POLITICALLY AS WELL AS ECONOMICALLY INTOLERABLE, WAS WILLING TO PAY HIGH PRICE FOR LABOR PEACE.

3. ANOTHER MAJOR IRRITANT FOR THE GOP IN THE LABOR SECTOR WAS REMOVED WHEN THE MOSCOW LINE LABOR CENTRAL (CGTP) CALLED OFF A GENERAL STRIKE SCHEDULED FOR OCTOBER 17. THE CGTP COMMUNIQUE CLAIMED STRIKE HAD BEEN CANCELLED BECAUSE BOTH THE EXTREME LEFT AND

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"SEDITIONOUS FORCES OF APRA" WERE DISTORTING THE ISSUE HOPING

TO BRING ABOUT A CONFRONTATION BETWEEN WORKERS AND "THE REVOLUTIONARY PROCESS."

4. COMMENT: BECAUSE OF MINERS' MILITANCE AND THE IMPORTANCE OF CENTROMIN, THAT LABOR DISPUTE CARRIED WITH IT A POTENTIAL FOR GOVERNMENT-UNION CONFRONTATION. THERE IS RELIEF IN BOTH GOVERNMENT AND LABOR CAMPS NOW THAT THE CONFRONTATION HAS BEEN AVOIDED. COST OF THE SETTLEMENT, HOWEVER, MEANS THAT CENTROMIN PROFITABILITY WILL HINGE ON HOPED FOR RISE IN COPPER PRICES. IT IS ALSO LIKELY THAT THE CENTROMIN SETTLEMENT WILL BECOME A MODEL UPON WHICH OTHER WORKERS WILL BASE DEMANDS. A PATTERN OF SUCH CONTRACTS WOULD BE HIGHLY INFLATIONARY.

5. THE CGTP LEADERSHIP HAS NO DOUBT BEEN WEAKENED BY THEIR FAILURE TO FOLLOW THROUGH ON THE GENERAL STRIKE CALL. FACED WITH GOP THREATS, ADMONISHED BY THE SOVIETS TO AVOID CHALLENGING THE GOP AND UNDERMINED BY OTHER LABOR GROUPS, THE CGTP FELT OBLIGED TO CANCEL STRIKE (SEE REFTEL). FACT THAT CENTROMIN NEGOTIATIONS TERMINATED SUCCESSFULLY AGAINST AN ISSUE FROM THE CGTP. ITS MOSCOW-LINE LEADERSHIP WILL NOW UNDOUBTEDLY FACE RENEWED ATTACKS FROM THE CGTP LEFT WING AND FROM MILITANT INDEPENDENT UNIONS.  
DEAN

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